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ABSTRACT

This curriculum unit for citizenship education is concerned with how American business influences governmental and Congressional economic and tax policies. The unit deals with aspects of business and economic affairs from the perspective of civics and citizenship education. Emphasis is focused on business and political issues and priorities, not budgets and fiscal matters, which bear on public and private finance. It is hoped that students gain a better understanding and working knowledge of business, political science, and economics. The unit examines some of the major relationships between the business community and public spending: government services, allocations of resources and income, cost and benefit determination, and taxes. Related civics questions, such as lobbying and campaign expenditures, are also addressed. The text includes a case study of the issues and problems surrounding the enactment of a state income-tax law in Illinois. Issues of relationship between city governments and the federal government that involve political and economic pressures are discussed, including the source of the city's right to govern, pressure groups, lobbyists in Washington, and financing elections. A teacher's guide is included which provides some suggestions and opportunities for inquiry, in-depth discussion, additional research, and class discussion of the concepts and questions found in the material. (Author/ND)

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STUDENT BOOK

BUSINESS AND THE AMERICAN POLITICAL PROCESS

by

William D. Rader

SO 009 472

Dr. Mark M. Krug, Editor

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PREFACE

This is the seventh in the series of curriculum units in citizenship education published by The Schwartz Citizenship Project. It is concerned with how American business influences governmental amd Congressional economic and tax policies. The unit is concerned with aspects of our business and economic affairs which heretofore have not been dealt with adequately in either civics textbooks or citizenship education curricula. In keeping with the philosophy of the project, emphasis is not placed upon budgets and fiscal matters. Instead, the focus is upon the business and political issues and priorities which bear upon public and private finance.

The author examines some of the major relationships between the business community and public spending. Related questions, such as lobbying and campaign expenditures, are also addressed. The text includes a case study of the issues and problems surrounding the enactment of a state income tax law. Many examples serve to increase our knowledge and understanding of current business, political, and economic issues and detail the impact an informed citizenry can have in this area of public affairs.

Mark H. Krug, Editor

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INTRODUCTION

TO THE STUDENT

The subject of this booklet is really civics. What does civics mean? According to Webster's New Collegiate Dictionary, civics means, "that department of political science dealing with rights of citizenship and duties of citizens." Most courses called Civics deal with the legal obligations of the citizen to his government and the rights and privileges, both legal and historical, that the citizen enjoys. So, students learn about the Declaration of Independence, the Constitution of the United States, and the Bill of Rights. Most of you have studied these things before and will study them again in more depth later on during your years in school. We all agree that knowing about our government and our relationship to it is very important.

This booklet is about the day-to-day relationships to our government which involve our taxes. When we study about taxes we are studying economics. Most contacts we have with our governments arise from using services that governments provide--not only the federal government, but state, county, and municipal (city or town) governments too.

Besides using government services, our next most frequent and important contact with our governments comes when we pay our taxes. Paying taxes is important, since most of the services we receive from governments depends upon having money to hire people to do things for us.

The taxes we pay go to local and state governments, as well as the federal government. We operate our public schools, our police and fire departments, our city governments mostly from the money received from the collection of the property tax. The buildings in which we live, stores and offices, factories, all have taxes levied upon them. Sometimes even personal belongings, such as the family car, are taxed also.

Many states tax individuals who earn income a state income tax, in addition to the federal income tax with which you are already familiar. In some of

these states, and in several others, an important way state revenue is collected is through a sales tax, often a four or five per cent tax on the amount of purchase we make in stores. There are state taxes on gasoline, on liquor purchases, on various forms of tobacco such as cigarettes, and many others, although these do not raise nearly as much revenue as do income and sales taxes.

Governments do not tax only individuals. Corporations are taxed also, on all three levels of government. They pay property taxes on the buildings they own, although sometimes cities and towns may reduce the amount of tax the corporation must pay. Some cities think that having a corporation in the city is good for the city. In order to encourage them to locate a factory there, the city may offer to charge the corporation less tax than the corporation might otherwise have to pay. Most corporations do pay taxes on the property they own, however, and provide an important source of revenue for local communities.

Corporations pay income taxes to federal and state governments. Very often these are also large sums of income. About one-half of every dollar of profit earned by a corporation is returned to the federal government in corporate income taxes. At the state level, too, many corporations must pay an additional income tax. The business community, therefore, also has a real interest in how, and for what purposes, government spends tax money.

One of the big questions our citizens must continuously answer is who should pay for the services of government. This is a political decision in which interested parties try to protect their own interests.

Furthermore, you know that citizens should play an important role in deciding what the government does. You know about elections for the President, Senators, and Congressmen, but do you know how city policy is made, what councilmen do, what a bond issue is? Do you know how citizens can have an active role in deciding what the government does at the municipal, county, state and federal levels? Have you thought about how government decisions are made and the influence of lobbyists? Do you know how much it costs to get elected?

In reading this booklet and studying from it you will find that many questions are asked. You will have to think hard and deep about those questions and often reflect on how you feel about issues that are controversial to arrive at answers. You may even have to question your own values. If you have questions of your own, ask them. You, your classmates and your teacher will learn more if

everyone shares his questions and the group arrives at answers.

Throughout the history of this country good government has depended on educated and active citizens. This book was written so that you will be better prepared to be an active, informed citizen. You will be much more knowledgeable about the taxes people pay and the services we get from them.

CHAPTER 1

THE SIZE AND SCOPE OF GOVERNMENT SERVICES

A. The Federal Government

The largest amount of money spent by the federal government is accounted for by wars--past wars, present wars and defense preparations. In 1973, the total budget is estimated at $246.3 billion. In Table One, three items are directly related to war expense: Defense includes money spent to pay for current war expense in Viet Nam, for other United States military action throughout the rest of the world, for NATO, and for research and development done to prepare for future wars; Interest on the National Debt represents interests on bonds sold primarily during World War II to pay for our military activities then, although the Federal Government continues to borrow; Veterans Benefits represents money spent on programs to aid and reward American soldiers who participated in wars.

The International and Space item includes all United States expenditures in Foreign Aid, United Nations and World Bank commitments maintaining the Diplomatic Corps and the Space Program.

The Agriculture, National Resources, Transportation, Housing item covers activities called Physical Resources by the Government. While its activities are many and varied, the amount of this column for price support payments to American farmers is estimated at $6.9 billion. Commerce and Transportation expenditures are estimated at $11.6 billion.

The Income Security item represents outlays to pay for the national retirement program to protect people over 65 and others unable to work. The Federal Government will spend $18.1 billion on Health, including Medicare expenditures.

The item labeled Other includes a wide number of miscellaneous services provided by the federal government including education, general government and others.

Table One

U. S. Government Expenditures
Estimated for 1973 Fiscal Year
(July 1, 1972 to June 30, 1973)

	Billions of Dollars
National Defense	78.3
Interest on National Debt	21.2
Veterans Benefits	11.7
International Affairs and Space Technology	7.0
Agriculture, National Resources Transportation, Housing	25.8
Income Security	69.7
Health	18.1
Other (Education, General Government Expenses, etc.)	14.5
Total	$ 246.3

B. State and Local Governments

A few major services of state and local governments, compared with Federal Government expenditures for 1966-1967 are shown in Table Two. Note that the largest single category of expenditures is Education. Traditionally, in the United States, the providing of public education has been left to our local and state governments. Another amount of money is expended for Health and Welfare; highway building and maintenance is also important.

The range of services provided for citizens by state and local governments is very broad and varies widely from state-to-state and from local government-to-local government. To avoid confusion the State of Illinois and its local governments will be used as an example, but it should not be assumed that the patterns of services and expenditures are the same for all states. There are many similarities, however.

Table Two

Comparison of Major Expenditures of Federal and all State-Local Governments in 1966-1967

	Federal	All State and Local Governments (millions of dollars)
Education	$ 2,295	$ 37,919
Highways	100	13,832
Health, Hospitals and Welfare	4,191	14,858

C. Illinois: State and Local Government

Table Three shows a broad overview of the expenditures made by state and some local governmental units in Illinois in 1966-67. We will not include counties, townships, and special districts. All governmental expenditures excluding the federal government in Illinois totaled nearly $5.10 billion. The state spent 34.6 per cent of this amount, school districts spent 29.3 per cent, and municipalities spent 19.6 per cent.

Analyze Table Three and discuss these questions with your classmates.

1. What do you notice about these three columns, state, total of local governments, and school districts?

2. What are the three most important functions of municipal governments in terms of costs? How do these functions compare with the expenditures for them at the state level?

3. What other observation can you make, comparing this information with that in Table One? What are the differences in emphasis as far as spending goes, between Federal, state and local governments?

4. A municipal function is a service on which municipalities spend a very large percentage of the total amount spent. Which of the functions listed are municipal functions?

Table Three

State, Local and School District Expenditures in Illinois, 1966-1967

(Thousands of Dollars)

	State	Local	School District
Education	431,252	133	1,409,943
Streets and Highways	329,626	134,215	--
Public Welfare	313,825	1,273	--
Hospitals	192,288	23,195	--
Health	31,118	14,966	--
Police Protection	17,461	157,215	--
Local Fire Protection	--	70,186	--
Sewerage	--	39,408	--
Other Sanitation	--	49,119	--
Local Parks Recreation	--	16,310	--
Natural Resources	51,339	--	--
Housing and Urban Renewal	1,226	24,415	--
Airports	7,462	16,218	--
Water Transport	2,730	269	--
Parking Facilities		11,929	--
Correction	38,824	3,874	--
Libraries	3,854	23,313	--
Utility Expenditure	--	166,497	--

Table Three presents figures for different places into a total. To compare expenditures between and among different cities, it is necessary to transform the data so that meaningful comparison among cities of different sizes are possible. If your school or community library has a book entitled Census of Governments, published by the United States Bureau of Census, you can do some research and discover how your city compares to other cities in expenditures for certain things. There is a table that makes allowances for differences in the population of cities and towns; it presents the dollars spent on a per capita, or individual basis.

The Why of Government Services

Governmental activities are a very large part of our economy. Their expenditures have been rising steadily since World War II and most experts predict that they will continue to rise. In 1965 the government (federal, state and local) of the United States spent over $200 billion. One out of eight employees has a government job.[1] To pay these people for services we require, the governments collected taxes that averaged over $1,000 for each person in the United States--every man, woman and child. Some people think that the governments spend too much and others think they spend too little; what do your parents think?

If you were asked to make a list of all the government services you could think of, you might question why it is that governments perform these services: Why do governments perform certain services? Before we can decide whether a governmental activity is good or bad, we must decide what we think the goals of governmental activity are. What do we want our governments to do?

Many people have written much about the goals of American society and Congress has even enacted a few into law. A list of goals often included are the following:

1) Economic progress: an increasing standard of living
2) Avoidance of inflation and depression
3) Freedom - to work, go into business, or own property
4) Security - From the economic hazards of illness and old-age

Can you add others to this list? It is not necessary to agree with this list; it has been presented as an example of what some think are America's goals. In order to think clearly about how our society is organized, goals must be established in order to judge how well the nation is doing.

Once society's goals have been established, we can then profitably ask how these goals are to be accomplished. The government's role in our economy, its part of providing goods and services for all of the people is usually called the public sector, to distinguish it from economic activities of individuals and businesses,

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[1] Not all of the work done for government is done by government workers, however. Frequently a government agency will have a job done by hiring a private business which specializes in that particular type of work. Some firms receive a large portion of their income from such "government contracts."

There are four types of situations which seem to be better accomplished by government rather than private individuals and businesses. Each of these areas is subject to argument.

1. Essential Public Services. An example of an essential public service is fire protection. Before governments provided fire protection service to everyone, each person had to arrange for this service himself. In many American cities private associations were formed and members paid dues to maintain fire fighting equipment so that, if their property caught fire, the fire could be put out. If you owned property in one of these towns and did not belong to the fire company your property would be allowed to burn down if it caught fire. This situation was very dangerous and people decided to have their local governments provide fire protection services for everyone and tax themselves for it.

   Another example is national defense. All of us benefit from being protected by national defense and pay taxes for this whether we want to pay for it or not. Further, there seems to be no way of withholding the benefits of national defense from someone who does not pay his share. Essential public services have two general characteristics: (1) each person benefits from the service whether he wants to pay for it or not, and (2) there is no effective way to withhold the benefits from someone who does not want to pay for it.

2. When it is More Productive for Government to do it? Suppose that some farmers living near a river need more water to irrigate their fields. The solution to the problem is to build a dam upriver and store water until it is needed. It costs a lot of money to build a dam. In fact it would probably cost each farmer much more to build the dam than the amount he would benefit from it. In other words, the return to any one farmer will not make the expenditure worthwhile for him. Still, the dam may have other benefits. It may be useful to everyone living downstream for flood protection, or be used for water supplies to downstream cities. The dam may be used to generate electric power. The lake created by the dam may have recreational values that people from all over the nation could use on vacations. The benefits, you see, may reach far beyond the original proposal to build it. Who

should pay for the dam? Since the benefits of the dam will go to many people, directly and indirectly, many people argue that it should be built by the government and paid for out of general tax revenues.

3. Expensive and Risky Projects. Probably the best example of an expensive and risky project that needs to be done by the government is the space exploration program. Could you imagine any individual or corporation spending the many billions of dollars required to do all the research, construction and training to put a man on the Moon or Mars? Someday space transport may be a profitable business, but it certainly is not now. If the government did not spend the money and take the risk in the name of all of us, the job simply would not get done.

4. Producing for the Common Good. Governments frequently act for the common good when the public feels that changes are necessary and there does not seem to be any other way, or any better way, to do it. An example of this is the law requiring children to stay in school instead of going to work. This effectively reduces the amount of labor available for producing goods and services but insures that children will be educated. Governments pave streets, install traffic lights, build hospitals, provide public assistance to poor and sick people, etc. Each of these services is paid for by taxes. You can think of other things we want government to do for us and for which we are willing to pay taxes.

The four situations listed above that seem to require government participation are not simple and are frequently controversial. There is usually much argument about whether or not the government should participate.

CHAPTER 2

THE EFFECT OF GOVERNMENT SERVICES ON A MARKET ECONOMY

In the United States when we talk about economic progress we usually mean two separate things: (1) increasing total output (output means the amount of goods and services produced by the economy), and (2) achieving a fairer balance in the distribution of incomes. If you stop a moment to think about it you will see that neither goal can be achieved without the other. Total output can be raised with all the increase going to one group (not achieving the second goal), and output could be distributed more evenly without any increase in the total (not achieving the first goal). Historically we have tried to achieve both of these goals at the same time with considerable success.

One of the government's most important roles is that of reallocating resources and incomes. By taxing people and then spending the money for public purposes the government changes the way resources are used. This is important to consider since resources are limited. The same resources cannot be used for public needs and private wants.

Changing Resource Use. Suppose someone earned $10,000 last year and had to pay $2,000 in taxes to Federal, State and Local governments. If he did not have to pay that money in taxes, he might have bought another car, taken a trip, or put an addition on his house. A decision to buy a particular good or service means that the things that are needed to produce it will be used for it and not for something else. A certain amount of skilled and unskilled labor, steel, rubber, copper, plastic, managerial skill, machinery, land, and all the other things needed to produce a car will be used to produce that car instead of being used to build a boat, perhaps. Suppose the government decided to use your tax money to support national defense by buying military equipment. Then labor, raw materials machinery, etc., would be reallocated from your private use--to buy a car--to the government's public use--to buy military equipment. Therefore you can see that government activity reallocates scarce resources from the private sector to the public sector.

Changing Income Distribution. Instead of buying a good or service with your tax money the government may transfer your money to another person in the form of income. For instance, your tax money may be used to pay for unemployment insurance, veteran's benefits, social security or public assistance (welfare) payments. Government spending of this kind is usually called a transfer payment. In these and other similar cases the government reallocates resources because the persons who receive these transfer payments will probably not spend the money the same way you would have.

Citizen's Sovereignty vs. Consumers' Sovereignty. The argument between those people who believe in more government activities and those who believe in less boils down to their opinions about whether the market process--free choice by each individual on how he wants to spend his money--or the political process--political decisions about the way resources should be used and how income should be distributed--does a more effective job of making our lives better. It increases the well-being of the nation as a whole.

Consumers' Sovereignty. Each consumer 'votes' for or against some economic activity with his dollar by buying it or not buying it. In our market economy a good or service must attract enough dollars to make a profit or the business will have to stop. Consumers' dollar votes determine whether or not a good or service will continue to be offered on the market.

Citizens' Sovereignty. When economic decisions are made through the political process, Citizens' Sovereignty is said to exist. Here the political vote decides the issue rather than the direct dollar 'vote' of the market system. If you want an active space program, more and better parks, roads, public housing, etc., you can't go out and buy them. You can express your opinion by voting for a representative who promises to influence the government to do what you want it to do. But you can't effectively express your dissatisfaction with a government program by not paying for it.[1]

[1]Some individuals, for instance, who are against war, have refused to pay that part of their tax bill which they claim is used for military purposes. But the courts have always ruled that it is impossible to determine the exact purposes for which an individual's tax dollars are spent, and have therefore required full payment in such cases.

There are four important differences between consumers' sovereignty and citizens' sovereignty:

1. In the private sector or market economy resource allocation decisions are made on a one-dollar-one-vote basis. This means that people with higher incomes have a greater influence in the market than people with lower incomes do because they have more dollar votes. In the public sector decisions are made on a one-person-one-vote basis. In the public sector, each person has an equal say about important decisions regardless of his wealth, since his vote counts as much as that of any other citizen.
2. In the private sector each consumer can use his dollar votes precisely as he pleases. You can decide whether to spend a few dollars on a new record or go to the movies. You have very direct control over your immediate economic choices, but in the public sector it is sometimes very difficult to weigh the costs and benefits of government programs. When a citizen votes for a representative he gets all the man's programs, not just the ones he likes best. The citizen has a general influence on the public process but usually not on the specific details. In the private sector if you don't want a car you can buy something else altogether. But in the public sector, you must abide by the product of government. You have little influence over the details of a public project, nor can you usually find a satisfactory alternative. Generally speaking, the private (business) sector allows a greater individual choice than the public (government) sector.
3. In the private sector if you do not want a product you need not buy it, but in the public sector you are forced by law to pay your share of public projects whether or not you like them. You must pay your share of public sector activities in the form of your taxes. Another way to look at this side of the problem is to ask which sector does the best job of protecting minority interests. A TV set is a good example. In the private sector you can choose whether or not you wish to buy one. Even though most people want a TV, no one can force you to buy one. Suppose that a law was passed by majority vote which said that the government should produce TV sets and that everyone in the U. S. would be given

one. In this case you would have a TV set and pay for it through your tax money whether you wanted it or not. Even if you didn't take one from the government, or took one and threw it away, you would still be paying for it in taxes.

4. Voting is not the only way that public decisions get made. The political processes includes the passing of laws. Before a law is passed, there are often committee hearings which are subject to pressures from organized groups representing special interests, representatives are influenced by well-paid, skillful lobbyists who act on behalf of special interests. Also, a representative may have to vote for something he doesn't like in order to get other representatives to vote for one of his programs. In the public sector the average man, the consumer and poorly organized groups often are not as well represented as some well-organized groups, which have less difficulty getting what they want enacted into law. In recent years, the poor, consumers, and minorities have been organizing and lobbying for legislation that will be helpful to them.

How Large Should the Public Sector Be?

The United States spends less on government services (with the exception of defense) than any other modern industrialized nation. John K. Galbraith in his book, The Affluent Society, argued that we do not spend enough on public goods and services. Although we have the highest standard of living in the world, large numbers of Americans are hungry, have insufficient clothing and are inadequately housed. Galbraith argued for a larger share of our national resources to be used for public purposes.

A Framework for Thinking about Government Programs

In the private sector decisions involving investments are made according to the profits expected. A businessman examines a proposed investment to determine whether it will earn more income than expenditures, leaving him a profit. A good businessman will also examine alternative business proposals to insure that he will pick the business which will give him the highest profit.

The two major decision-making problems discussed above, to decide

whether a specific project is worth doing at all, and to decide which of many possible projects to undertake under conditions of limited resources, are also faced in the public sector. Governments need to decide whether a project is worth doing and which projects it can afford to undertake given the amount of money available for spending.[1]

Before Government decides to undertake a project, an analyst tries to figure the costs of a project, and then the total benefits of the project. If the benefits are larger than the costs, the project makes sense and may be undertaken.

Of course, if there are other projects which are more important, or more immediately necessary, or if the project requires more money than is available, or if there is not enough political support for it, it may not actually be done. This system of determination seems simple and straightforward. In reality it is very complex. The method seems to work best when the kind of projects under consideration are closely related to private economic activity. The method works best when used for projects which have either actual or potential salable endproducts such as water, electrical power, and highway mileage. In these kinds of projects it is relatively easy to identify the costs and benefits involved. Unfortunately most government projects do not have salable endproducts. It is very difficult to determine the benefits derived from a good public library or school system. Still, even when the costs or benefits are hard to pin down, the method provides a useful framework for thinking about the projects.

Some Problems in Cost Determination

Time strongly affects the cost of projects. Governments tend to move slowly in decision-making so that estimated costs at the time a project is conceived frequently turn out to be higher at the time the project is actually started (it sometimes takes years to get a project approved). Projects are often very large and take a long time to complete: It may take years to build a major bridge, tunnel or dam. Again the prices may rise during the construction periods. Most government projects are expected to last for long periods of time so maintenance and repair estimates have to be made far into the future when no one is sure what prices will be.

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[1] Concern about the environmental effects (ecology) is also becoming a factor in deciding whether a project should be undertaken. This applies to the granting of licenses to private developments as well as to those initiated by government.

Some types of projects generate costs which fall on other government organizations, businesses, and private citizens. Suppose the government builds a major superhighway near the downtown area of a city. The land taken up by the highway needs to be bought from its owners (direct cost) and, once owned by the government, real estate taxes will no longer be paid on it (indirect cost). If the new road increases traffic to the downtown area, the level of air pollution will probably increase which may further increase the amount of lung disease among the citizens. Some of the land on which the new road is built was probably used by businesses. Some of these may not reopen elsewhere causing an additional drop in tax collection and probably some unemployment. The creation of a new highway frequently requires moving sewer, water, electrical and gas utility lines which probably would mean more expense to other government agencies and private businesses.

Some Problems in Benefit Determination

Measuring the direct benefits of business-like government activities is fairly simple (if any, in fact, exist) for electric power provided by the government over that supplied by a private utility company. Nor is it too hard to determine the time saved in travel when a new road is planned.

But estimating indirect or secondary benefits, which may be larger than direct or primary benefits, is considerably more difficult. For example, a street improvements program will have direct benefits to many people in time and money saved in transportation. But it will also benefit some people who live near the improved roads because their property may increase in value. It is very difficult to estimate the increase in property value caused by improved roads in advance. People in the real estate business in the area will also benefit as their commissions on sales will be larger when they sell property with higher values.

The creation of a lake for reservoir purposes may eventually result in the direct benefit of lower water prices to city dwellers, but it will also have secondary effects by raising the value of surrounding land and by providing new outdoor recreation facilities in the area. These indirect benefits are difficult to measure.

Other kinds of projects and services have benefits that are extremely difficult to measure directly as well as indirectly. How does one measure the benefits a community receives by investing in a good public library? or new patrol cars for the police department? or higher salaries for teachers? or more and better

public park facilities? It is obvious that all of these activities do benefit the community, but these kinds of benefits are very often difficult to measure in dollars and cents.

This discussion of the difficulties of measuring the costs and benefits of proposed government projects is certainly not complete. The problems involved are highly complex and require years of study for professionals. Still, the concept of costs and benefits as a framework for thinking about government programs is a useful one when you are forming your opinion of public proposals in general, or when you are required to vote on such programs.

When you think about a particular government activity keep in mind that benefits and costs are hard to measure. They involve things that cannot be measured. For instance, a superhighway through a small town may have great benefits in savings of time and money, but many people don't like the noise of fast traffic and don't like the idea of having a physical barrier cutting their community in half. All people do not share the same goals and values. You may oppose a project that many people support, and others may oppose a project that you support. In the public sector decisions are made politically even though the issues are mostly economic. Economics can provide technical information about the costs and benefits but each citizen has always to return to his own goals and values to make his own judgments and decisions.

CHAPTER 3

FINANCING GOVERNMENT

Government expenditures are a major part of our economy and the goods and services they pay for have significant effects on our lives. Obviously expenditures are only one side of the coin; to be able to spend money the government must have some means of getting money. The government gets most of the money in the form of taxes. Table 1 shows the amount of taxes the governments--federal, state, and local--collect in major categories.

Table One

Federal, State and Local Taxes in 1965

Taxes	$ Billions	Percent of Total
Personal Income Taxes	53	28
Corporation	30	15
Excises and Sales Taxes	28	14
Property Taxes	22	12
Other	24	13
Payroll taxes (most Social Security)	32	18
	$ 190	100

Payroll taxes for retirement through Social Security are paid by individuals, mostly through deductions from their paychecks. Personal and Corporate Income taxes are paid by individuals and corporations depending on the amount of money they earn. Excise, sales and property taxes are paid on things or services by people. We will go into these taxes in more detail later, but first a question: who pays the taxes?

Most of the taxes are paid by people of average income. Most people with high incomes pay more taxes, as individuals, than lower income people but since there are fewer people of high income, they pay less of the total. Middleclass people are the majority of the American population and so pay most of the taxes.

In 1965, more than half of the total taxes paid were collected from families whose income was between $6,600 and $15,000.

The tax system in the United States is called progressive. That means that the amount of taxes as a percentage of income should increase as income increases. The more you earn the more you pay. On the whole this theory is correct, but if you look at local and state taxes alone, it is not applicable. Local and State taxes tend to be regressive. That is, low-income people pay more taxes as a percent of their income, in local and state taxes than do average and high income people.

The difference between progressive and regressive taxation isn't too hard to keep straight if you keep in mind that the important thing is the amount of taxes paid as a percent of income.

The table below is an example the author made up, to illustrate a progressive tax.

Table Two

PROGRESSIVE INCOME TAX

Income	Tax Rate*	Tax Paid
$ 5,000	20%	$1,000
10,000	25%	2,500
15,000	30%	4,500

*Tax rates shown are not actual. They were chosen to show how progressive tax works.

This tax is progressive because the man who makes more money pays more taxes as a percentage of income than the man who makes less. The man with income of $15,000 makes three times as much as the man with income of $5,000 but he pays more than three times as much in income tax. If the tax rate was 20% of income on the above table, it would not be progressive.

The table below is an example the author made up, to illustrate a regressive tax.

Table Three

REGRESSIVE SALES TAX

(Assume that this tax is paid by consumers only on food.)

Income	Amt Spent for Food	Tax Rate	Tax Paid	Tax as percent of income
2,500	1,500	5%	$75	3.00
5,000	1,500	5%	$75	1.50
7,500	1,500	5%	$75	1.00

In this case the tax is regressive because the man earning the most money is paying less, as a percentage of his total income, than the man earning the least money.

What Would an Ideal Tax Be Like?

Most people who have studied taxation agree that an ideal tax should help further economic progress, enhance freedom and individual choice and be fairly distributed. No tax has ever fully satisfied all these goals and, therefore, we must make choices of the kinds of tax we want, given the goals we value most.

A. Economic Growth and Progress

Governments try to foster the economic growth of their nations. Under our private enterprise system economic growth is achieved by people saving some of the money they earn while other people invest it in businesses which produce more goods and services because of the new investments. People need to spend most of the money they earn for food, clothing, shelter and other things that they want. The money that is not spent could be used for savings and investment which would further economic growth. But governments need to buy the services they provide, which most of us agree are necessary. The only way that Governments can get the money is by taxation, so the question becomes: What kind of tax will do the least harm to economic growth goals?

Basically, there are two kinds of taxes: (1) those that vary with income, and (2) those that are constant. From the point of view of economic growth, taxes that vary with income are better because they increase when earnings rise and people can afford them more, and they decrease when earnings fall and people can afford them less. On the other hand a fixed-rate tax (like the property tax) tends to be bad for economic growth, especially when earnings fall, because they diminish the amount available for investment or spending.

B. Freedom and Individual Choice

In our private enterprise system we assume that people ought to have freedom of choice in their spending and that businessmen ought to have freedom to produce whatever they like. We hope that businesses will respond to customer's choices and that the market system will automatically provide people with the goods they want to buy. In this sense, an ideal tax would be neutral; it would not affect the freedom of choice of buyers, nor would it effect the freedom of choice of businesses. In reality, our tax structure does affect both consumer and consumer choices. The Government taxes cigarettes and liquor heavily to discourage people from buying them. As the price (including the high tax) increases, fewer of the items will be bought, relative to what would have been bought at the lower price, because people buy less when the price goes up. Economists call the effects of taxation on the free choices of consumers and producers distortions in the market. An ideal tax policy would produce no free-market distortions. Probably the best kind of tax from the point of view of reducing market distortions to a minimum would be one that taxed everyone an equal lump sum, a 'head' tax. Since everyone would have to pay the same amount regardless of what he earned, how he earned it, or what he spent it on, there would be no distortion. Taxes on goods that people absolutely need, such as salt, produce very little distortion. On the other hand taxes on goods which respond greatly to price changes (most luxury items) tend to have a high distortion effects.

C. Fair Distribution

Most everyone agrees that taxes should be 'fair', but hardly anyone can agree on what 'fair' means. There are three general ideas of fairness in taxation policy:

1. The Benefit Theory. This theory says that those who benefit from government services should pay for them. The only real problem with this notion is that its frequently difficult to determine who benefits from an activity. If a new sewer line runs past your house, it seems fair that you should pay a share of it. The cost is easily assessed and the benefits directly measurable. But, who benefits and to what extent does a person benefit from national defense expenditures? Suppose we applied the benefit principle to schooling. Only those parents

with children in school would have to pay a fee for each child. If this were the case families with no children would not pay any school tax and families with many children would have to pay very high rates to send their children to school. Children of families with low incomes would be unable to go to school. If this principle were applied to schools, the system of education for everyone in high school and elementary school would disappear. Payments to individuals for welfare would be impossible because the people who benefit from welfare programs don't have the money to pay for them. The application of the benefit principle would result in the government selling services only to those who can afford them.

2. Ability to Pay Theory. This theory holds that people should contribute to the government according to their ability to pay for its services; it differs from the benefit principle in that those who can't afford a service would get it anyway. The question here is how to measure someone's ability to pay. Should everyone pay a fixed rate on income--say 10% on total income? Should people with high incomes pay a higher proportional rate than people with low incomes? We generally agree that taxation should be progressive rather than regressive but there is no logical basis for deciding on what specific rates should be. In practice it is decided politically rather than economically.
3. Equal Treatment to those In Equal Situations. What is an equal situation? Can we define an equal situation in terms of money income alone? Is a single man earning $7500 equally situated with a married man having five children earning the same amount? Are the earnings of a factory worker to be treated the same as interest from a savings account? Should money be treated the same as a gambler's winnings? As in the ability to pay theory, these questions are moral and ethical. They are also usually settled for political reasons rather than for economic ones.

When are Taxes Too High?

Before we examine each main type of tax it is worthwhile to try and answer two major questions:

1. How much taxation is too much?
2. Who finally pays taxes?

"Taxes are impossibly high! One more penny in taxes and business will come to a screeching halt!" says John Q. Businessman. These sentiments are repeated by homeowners paying their real estate taxes, people filing their tax returns every spring, and just about everyone else. Are taxes too high? How much is enough? Its very hard to try and answer these questions in dollar terms. Perhaps the best way to handle this problem is to turn it around and consider what the ill effects of high taxation may be.

1. If taxes are too high people may decide to work less. When the government takes a very high percentage of my paycheck I may decide not to work hard. I might not try for another promotion because the extra effort required may not be matched with enough extra money (after taxes) to be worthwhile. Probably most people are not affected this way because they need all the money they can get. People with high incomes may decide not to undertake a new investment if they feel that most of the money they might earn will be paid out in taxes.
2. If taxes are too high people may decide to invest less. Investment is risky, since no one knows in advance whether he'll be successful. If the ordinary returns from investment are substantially reduced by high tax rates, some people may decide that taking the risk is not worth it.
3. If taxes are too high people may try to avoid paying them. It is impossible to determine how much money the government does not collect because people do not report income. Some who study taxation believe that taxes are illegally avoided on as much as 5% of all wages, most interest income from bank accounts, and a very large percentage of business incomes. It seems reasonable to assume that if tax rates got higher more people would try to avoid paying taxes.
4. There is often a difference between the person who turns over tax money to the government and the person who finally pays the tax. Take the case of the cigarette tax. This tax is paid to the government by the cigarette manufacturer, but he may not be the final tax payer. Perhaps the final consumer pays the tax in the form of higher prices. In the

case of landlords, high real estate taxes generally get passed on to the tenants in the form of higher rents. In general, the taxed person will try to shift the tax to someone else whenever he can.

What Kinds of Taxes Are There?

Personal Income Tax

The Federal Personal Income Tax is levied on nearly all personal money income. A personal deduction for each family member, deductions for personal business expenses, medical expenses, charitable contributions, etc. are allowed.

Since higher rates are applied to higher incomes than lower ones, the tax is progressive. At higher income levels loopholes exist which often makes it valuable for persons in these higher brackets to employ lawyers and accountants to help them reduce their tax bill. This tax falls on the taxpayer directly.

Many states also use the income tax to raise income they need. In the next chapter there is a case study of what the passage of an income tax meant to Illinois.

Corporation Income Tax

The corporation Income Tax is levied on the money income of all incoporated businesses. The laws surrounding this tax are even more complicated than those of the personal income tax. This tax is somewhat progressive. After taxes on corporate income have been paid by the corporation, dividends paid out to stockholders are then taxed again as personal income. Corporate income taxes may be passed on to the public in the form of higher prices.

Many states also tax the incomes of corporations, as is done in Illinois.

Excise and Sales Taxes

Excise taxes are collected from the manufacturer on items produced. The Federal Government, most State governments, and many local governments apply excise taxes to liquor, gasoline, cigarettes and jewelry. The excise tax is almost always shifted to the consumer, and is usually regressive because the amount of the tax is effectively a larger percentage of the income of the low-income consumer than it is of the high income consumer.

The sales tax is a percentage of the price of a good. It is usually to the government by the retailer, but the incidence is on the consumer.

Property Taxes

The property tax is a fixed percentage of the assessed value of real property.

A tax assessor determines how much a house is worth, and then levies a tax on the owner at a rate usually determined by law. They are the single largest income producers for local governments. In practice, once or twice each year the local government figures out its budget and estimates how much money it will need. The local government also assesses the value of all real property under its jurisdiction. Then the government figures out what tax rate based on assessed valuation will raise enough money to pay its bills. For instance, if the government will need $10 million for its program and the total property is valued at $500 million, the tax rate would be set at 2 per cent. The property tax is usually justified on the benefit principle; it is argued that property owners benefit most from municipal services and thus pay for those services in proportion to the value of their property.

Whenever a government seeks to raise additional revenue, it may either raise the rate of an existing tax or levy a new tax. In the state of Illinois in 1969, the governor decided that a new tax--an income tax--was needed. The story of the passage of this new state tax is the subject of the next chapter.

CHAPTER 4

A CASE STUDY - PASSING AN INCOME TAX IN ILLINOIS

Governor Samuel Shapiro, who came to office as a result of the elevation of Otto Kerner to a federal judgeship, appointed the Governor's Revenue Study Committee when it became apparent that the State of Illinois was facing a fiscal (financial) crisis. The Committee's basic recommendation, in a report to Governor Richard Ogilvie was as follows: "The best new tax which the General Assembly can adopt to become effective on January 1, 1970, is a flat rate income tax."

What led up to this recommendation, and why was Illinois facing a financial crisis? These questions and others will be considered in this case study as well as the political drama that unfolded, and the compromises that developed.

The Crisis

During the nine years between 1957 and 1966, population in the United States increased by 27 million persons, but spending at all levels of government--federal, state and local increased from $125 billion to $225 billion. The faster growth of spending compared with population meant that government was spending more per person. In 1957, government spent $736 per person and this increased to $1,148 per person in 1966. In general, Illinois spent less per person at the state and local level than the national average. The average in Illinois in 1966 was $382 per person, compared to a national average of $423.

The crisis came to a head in the 1967-1969 biennium. The General Assembly planned changes in the tax structure that increased state spending to $5.8 billion for the budget period, with a planned surplus on June 30, 1969 of $700,000. In the meantime, one of the tax changes was repealed and another ruled invalid; the net result in these revenue reductions was a reduction in tax revenues conservatively estimated at $200 million. The state instituted an austerity program and the General Assembly, in special July session, authorized the borrowing of up to $80 million dollars from various motor fuel tax funds for General Fund use.

Clearly the crisis was upon the state. Something had to be done.

State and Local Spending - 1966

A comparison between Illinois state spending patterns and those in other states can achieve a fairly objective view of Illinois governmental expenditures. Based upon an average of all states, a breakdown of Illinois state spending can be compared.

Table One

1966 Per Capita Spending
(State and Local)

	Illinois	National Average
Welfare	$62	$65
Highways	$48	$65
Education	$162	$170

Illinois was the only major industrial state that spent less than the national average on public assistance and welfare, partly because of careful control of funds and steps taken to correct public assistance problems. In areas that are relatively small, Illinois exceeded the national average: $8 vs $6 for Recreation, $14 vs $13 for Sewage, and $23 vs $21 for Police and Fire Protection. In areas of general administration, interest payments and other miscellaneous expenditures, Illinois spent less than most states.

The case for education in Illinois has been well documented in newspapers and by the state education organization and federation of teachers union. In 1966 a smaller portion of local school revenue was derived from state collected taxes than was typical of the national average: 22.7 percent in Illinois compared to 42.3 percent.

State Revenue Sources

In 1966 Illinois relied more heavily on sales and utility taxes than other states. In 1957 the state alone collected $700 million in taxes; this rose to almost $1.4 billion in 1966. Table Two shows where the revenue came from, in 1957 and 1966.

Table Two

Illinois State Tax Revenues
(in millions of dollars)

Kind of Tax	1957	1966
Sales	296.1	669.5
Motor Fuel	129.4	180.3
Licenses and Fees	106.4	166.5
Cigarette	33.4	98.4
Utility	38.8	81.6
Alcoholic Beverage	25.6	48.0
Inheritance	19.2	45.2
Other	41.9	75.7
Total	$ 690.8	$1365.7

It can be seen that Illinois relied heavily on a sales tax since it did not have an income tax. Let's compare the sources of revenue in Illinois with the national average.

Table Three

Sources of Tax Revenues - 1966

	Illinois	National Average
Sales	49.0%	26.8%
Motor Fuel	13.2	15.7
Licenses and Fees	12.2	11.9
Cigarette	7.2	5.2
Utility	6.0	1.9
Other	12.4	17.0
Individual Income	- 0 -	14.6
Corporation Income	- 0 -	6.9

As we discussed in an earlier chapter, it can be observed that Illinois relied more upon a regressive-type tax, sales, than other states.

How Did the State Get Into a Financial Crisis?

At the beginning of this case study, we reviewed the problem in general terms. The General Assembly voted to increase spending the General Fund by one billion dollars. Existing tax sources were expected to produce tax revenue of $315 million, leaving $685 million to be raised.

Governor Kerner suggested an extension of the sales tax to cover nearly all business services, including insurance advertising, law and medical fees. This suggestion proved to be unpopular and the General Assembly rejected the governor's proposal. The legislature proceeded to reduce appropriations; however, more revenue was still needed.

To finance this the General Assembly proposed a 3/4 of one percent increase in sales tax; an additional Service Occupation Tax; an increase in the cigarette tax; a change in the inheritance tax base; an increase in the utility tax; and a few other revenue-producing procedures. The results of all of these actions increased all General Fund sources, except alcoholic beverage taxes. These were designed to produce the $700,000 surplus discussed earlier

The inheritance tax changes were repealed and the Service Occupation Tax was declared unconstitutional by the State Supreme Court. As a result, the slight planned surplus became a deficit and there was no revenue available to fund programs already authorized by the General Assembly. In addition to this, it became apparent that costs for public assistance and welfare would be substantially higher than planned.

Looking ahead to the next biennium, (1969-1971), it appeared that certain appropriations would need to be higher. Higher education was estimated to require $75 million to $225 million more; junior colleges, $23 million more; common schools, between $50 million and $400 million more, depending upon the amount of increase in expenditures per pupil; public assistance and welfare, $325 million more; and mental health, $100 million more. These increases, as estimated, range from a total of $573 million to a possible $1073 million, and this money needed to be found somewhere.

Assuming no new taxes and a ten percent increase in the revenue achieved from all tax sources, it was estimated that the state General Fund revenue could increase by $171 million, enough to support the spending of 1967-1969 levels, but

clearly not sufficient to support the increases in spending predicted necessary for the 1969-1971 biennium.

Governor Ogilvie Proposes

Early in April 1969 the governor delivered his budget message to the General Assembly. In it he proposed a flat 4% tax on the incomes of individuals and corporations in order to achieve the amount of revenue needed to finance state operations. An early reaction came from John V. Touhy and Thomas A. McGloon, House Democratic Leader and House Republican Leader, in a prepared statement dated April 14, 1969. The statement indicated that "The fiscal condition of the state is too serious for partisan politics." Their statement indicated that a study of the budget revealed that there would be a surplus of $575 million in fiscal, 1970 (July 1, 1969 to June 30, 1970). A series of criticisms of the budget message followed but they (Touhy and McGloon) declined "judgment as to new taxes or new programs the Governor has requested. Such decisions must await much additional information and evaluation." The battle lines had not yet been drawn. The introduction of the revenue bills set the debate in motion.

Politics Enters and the Debate Begins

On April 28, 1969, Governor Ogilvie introduced his revenue proposals, including bills to levy a four percent income tax on all citizens and corporations in the state. The proposal was in line with the major recommendations of the Governor's Revenue Study Committee, as adopted by an official vote of the committee.

> "A flat rate income tax, applicable to individuals and corporations alike at the same tax rate, in an amount to be determined based upon state needs."
>
> "The tax to be applied to the federal tax base with certain additions and deletions."
>
> "The income tax law to become effective on or before July 1, 1969, and applicable to income beginning January 1, 1970, and until the State Constitution is amended and action can be taken thereon."

Estimates placed the revenue from an income tax at $250 million for each one percent of tax levied. In addition, the report said that "The other problems before the General Assembly at this time is the task of introducing more equity into the whole tax system."

A bill such as the proposed income tax law becomes political from the

moment it is introduced. Any increase in taxes is of concern to citizens, no matter what the reason for an increase.

On the floor of the Senate that day, April 29, 1969, Thomas A. McGloon, Democratic leader spoke of the necessity "for us as Senators and as members of the legislative branch of state government to look carefully at the way this administration is spending public money before we vote for any of the additional taxes that have been requested." He referred to Governor Ogilvie's speech of several days ago defending the Governor's tax proposals. In it the Governor had suggested the cutbacks in education and welfare that would be necessary if the income tax were not passed.

> "These frankly are scare tactics. The Governor has tried, and is continuing to try to go over the heads of the legislature to persuade the people of this state that the medicine he has prescribed is necessary to cure what he has called the sick state of Illinois."

The Senate Revenue conducted lengthy hearings on Senate Bill 1150, the proposed 4% flat income tax bill. In the meantime the House Appropriations Committee tabled a series of bills calling for a 2 percent individual income tax and a 5 percent corporate tax. The President of the State Chamber of Commerce testified in favor of the proposed income tax. William J. Crowley, also an executive vice-president for Northern Illinois Gas, indicated the State Chamber's reluctant support of a flat rate income tax, "if additional large amounts of state revenue were required."

> "I am frequently asked why businessmen in Illinois are for an increase in taxes. My answer is simple--we are not. But, we are for adequate financing of necessary government services provided in an economical manner; and we feel if additional revenue is required--the least objectionable way to get it is by an income tax following the principles of this bill ... Any increase in taxes constitutes an increase in business costs which makes the competitive position of Illinois business in competing with firms in other states more difficult."

The Director of Finance also testified on behalf of the proposed legislation. Senator McGloon, in the forefront of the opposition, released a statement on May 19, 1969, stating that the defense answered none of the basic questions that had been raised. McGloon discussed the high taxes in Illinois on people with incomes above $7500 a year. He went on to say:

> "On the other hand, Illinois now taxes corporations less heavily than any other industrial state ... Only four other states out of 41 tax corporate incomes at less than 4 percent."

"Under the Governor's 'reform tax' program, Illinois will have the distinction of having the highest taxes on individuals and the lowest taxes on corporations."

"The Democrats do not feel that simply because a program has some merit, it should be established and funded this year. Just as responsible individuals postpone worthy purchases because of lack of funds, so must the state. The taxpayers can't afford everything."

A Time for Compromise

The hearings, debates, and private closed-door discussions had convinced the leadership of the House and Senate that an income tax on individuals and corporations was necessary. The issue that divided Republicans and Democrats was whether the flat rate should be the same for individuals and corporations. As the day for adjournment of the General Assembly approached the opposing powers entered into serious discussions of their differences.

On or about June 15th, Governor Ogilvie presented his "final revenue package." It called for the three percent flat income tax on both corporations and individuals with provisions for the return of some tax monies to cities. It provided for an effective beginning date of August 1, 1969 for the tax. Senator Arrington, sponsor of Senate Bill 1150, supported the Governor's new proposal as did House Speaker Ralph T. Smith.

The Democrats countered with a proposal which included a differential in rates--two percent for individuals and four percent for corporations.

The executive vice-president of the Illinois State AFL-CIO released a statement in the Weekly News Letter dated June 21. In part, the statement read:

"We stated firmly that as much as we disliked any taxation and aware that our own membership was also objecting to any new taxes, we would support new taxes of some equity and fairness to wage earners was evident ... if an income tax was to be enacted during this 76th General Assembly, there must be a lower rate for individuals. There should be a reduction in the sales tax."

The Chamber of Commerce supported the position of Governor Ogilvie.

S. B. 1150 Is Passed

At the eleventh hour, a compromise revenue package was agreed upon. It called for a split rate income tax of 2 1/2 percent for individuals and 4 percent for corporations. The Illinois House passed the bill by a vote of 91-73 on June 30th,

following its passage, 35-22, by the Senate. The State Chamber of Commerce disagreed with the income tax compromise. Governor Ogilvie said that it represented a "bipartisan compromise dictated by the public interest."

Both Senator McGloon and Representative Touhy voted for the income tax bill, as did Senator Arrington and Representative Smith. In a letter to the author, dated June 6, 1972, former Senator McGloon, now Justice in the Appellate Court--First District wrote:

> "It was only through constant pressure, research etc., that ultimately resulted in the diminution of the rate wherein the people were saved one and one-half percent on the income tax demands of the Administration."

In order to put this very controversial issue in perspective, the reader should know that for decades any suggestion of an income tax met with severe protests and many politicians believed that it could never be passed. Many Representatives and Senators represent the interests of the citizens of their districts. The final vote, by political party, is presented to indicate that, although the leadership of both parties compromised, by no means could the bill be considered as passed by a landslide.

Table Four

Roll Call Vote on S. B. 1150

	House		Senate	
Republicans for	69		21	
Democrats for	22		14	
Republicans Against		25		17
Democrats Against		48		5
	91	73	35	22

The Effect of the Income Tax

on State Revenue

In order to indicate the importance of the income tax in the state's total revenue picture, here is one final table showing how much tax money was collected by the Illinois Department of Revenue. Data was supplied by this agency.

Table Five

Taxes Collected, 1967-1971

	Income Tax	All Taxed (inc. income tax beginning Aug., 1969)
1967	-0-	$1,282,776,197
1968	-0-	1,535,158,263
1969 (Aug-Dec)	$ 275,877,779	1,961,259,112
1970	930,396,552	2,633,477,842
1971	1,050,973,262	2,897,003,265

Illinois' fiscal crisis was solved--at least for the time being. Questions regarding the fairness and equity of various Illinois taxes continued. Perhaps the reader is now aware of how the economics of taxation is related to politics. The next chapter will examine politics--the name of the game.

CHAPTER 5

FROM CITY HALL TO WASHINGTON--
POLITICAL AND ECONOMIC PRESSURE

In the economic sense, the business of government can be viewed as the performance of services for the people and the collection of money to pay for those services from the people. It seems simple and mechanical, but it is not.

All government policies, decisions and activities are tied to people, either alone or in groups. The way people choose to structure their affairs has much to do with how things get done, who does them, and who they do them to. Because certain Federal Government policies affect some citizens or groups more than others, interest groups have evolved to influence governments to make decisions favorable to them. Let's examine both the city government and the Federal Government more closely.

The Source of the City's Right to Govern

Most people take the fact of power as given. We rarely consider why we depend on the city to perform its services to us, or why the city has the right to make us obey its rules and pay its taxes.

In general, cities are given their right to govern by their state government. From a practical point of view it would be very difficult for the state government to take care of the day-to-day concerns of each city in the state, but the job still has to be done. The garbage needs to be collected, the police and fire departments need to be equipped, staffed, managed and paid, schools need to be operated, etc.

The state solves this administrative problem by giving the city a charter which grants the city the right to govern its area. The city has less power than the state and only has the right to do the things that its charter permits it to do.

There are many ways for municipal governments to be structured. The two most popular forms of city government in the United States are called the mayor-council form and the commission-manager form.

The difference in the two forms involves the way power and responsibility

are concentrated. In the mayor-council form voters choose a mayor and councillors to run the city. The mayor has final authority, administrative power and responsibility. If anything goes wrong anywhere along the line the mayor gets blamed. This system tends to elect popular mayors who have the political power to get things done, although they may not know very much about administering a government.

In the commission-manager form the voters elect a commission which then hires a professionally-trained city manager to run the government. In theory the trained manager does not yield to political pressure.

Both systems of city government have supporters and critics. Neither one guarantees good government. No matter what administrative machinery is set up, good government only seems to be achieved by watchful and participating citizens.

The job of government is complex. The city administration must plan what it wants to do, budget its funds, and keep everything operating.

Planning is very difficult because it requires that the planner figure out what the future is going to be like. The government can't decide how large a hospital to build unless it makes some predictions about how large the population will be. It can't decide how many roads to build unless it predicts how many cars will be in use.

Budgeting is the process of figuring out how much things are going to cost and then matching those costs with revenues. How much will a new roadway system cost? Where will the money come from to pay for it? The answers require both technical and political knowledge. Making a government run, operating the machinery of government, is comparable to managing a major corporation. Some cities have many thousands of employees doing hundreds of different kinds of jobs. The employees are civil servants, but many of the managers are political appointees. To make things even more difficult each city has many bosses and customers (the citizens) to satisfy; many more than most corporations do. City government is so complex and difficult that many experts have said that the toughest job in the United States, other than the Presidency, belongs to the Mayor of the City of New York.

Most citizens feel that the government should work for them, and each citizen seems to have a different idea of how the government should be run. When some citizens agree on certain aspects of government, they tend to join together,

both formally and informally, into pressure groups to try and make the government do what the group wants it to do. These groups perform widely different functions. They range from ethnic groups that want the city to name parks, or public buildings for their heroes, to groups that want the courts to prosecute cases more quickly, to those that want to preserve historical shrines and to those who want to get contracts for doing the city's business.

Which groups are successful and which are not depend on many factors, some of which are hard to figure out. Still, it is sure that the quality of a city is very dependent on its political life.

Pressure Politics

City government is usually complex and bureaucratic. Rules are made and unmade frequently, the degree of services provided varies from one part of the city to another. Some people are harassed for breaking some laws while other people can break them at will. With all this, the system seems to work pretty well for most people. Why? and How? Pressure seems to be the answer. We tend to organize ourselves into special interest pressure groups, or lobbies, that seem to have the effect of balancing government action or, at least most of the time, preventing the government from getting too bad.

So, put simply, if you don't like some action of government, or if you want the government to do something that it is not doing or not doing enough, put on the pressure.[1]

Lobbyists in Washington

Just as people put pressure on their city government, so can they influence the actions of Congress in Washington. Large number of individuals and groups have their particular interests represented by people who are known as lobbyists. Lobbyists are often referred to as an invisible arm of government. A lobbyist is likely to be a highly technical person who furnishes members of Congress with facts and information. Many of them actually draft or write much of the legislation

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[1] See the Schwartz Citizenship Project Unit Pressure Groups in a Democracy, by Lorraine T. McDonald, for a detailed account of how people can group together to improve our quality of life.

introduced in Congress. Some of them even write speeches given in Congress by congressmen.

The Select Committee on Lobbying Activities of the House of Representatives concluded in 1951 that "all substantial attempts to influence legislation for pay or for any consideration constitute lobbying." Frequently, the efforts are to influence legislation that has a monetary or economic impact upon the group. It may be for tax relief;[1] it may be for salary increases for postal workers, government subsidies to certain industries or it may simply be for increased pensions and social security benefits.

In 1971, a total of $6,524,849 was reported as spent in lobbying activities, compared to $5,841,578 in 1970. The increase can be accounted for by the reporting of expenditures by Common Cause of nearly $850 thousand. The following table shows the amounts of money reported as spent by major interest groups in 1970 and 1971.

LOBBY SPENDING BY INTEREST GROUPS

	No. of Groups 1971	1971	1970
BUSINESS	143	1,848,963	1,901,031
POWER	7	50,170	-0-
CITIZENS	48	1,667,990	1,064,600
EMPLOYEE AND LABOR	36	1,466,175	1,035,815
FARM	31	571,877	600,946
FOREIGN	-	-0-	32,404
INDIVIDUALS AND FIRMS	-	-0-	42,821
MILITARY AND VETERANS	6	493,802	569,035
PROFESSIONAL	16	350,353	565,413
MISC	35	75,519	29,469
	322	6,524,849	5,841,578

The amount of lobby spending is required by law to be filed with the clerk of the House and the secretary of the Senate. It is published in the Congressional

[1] Tax-related questions are of great importance. Continuing debate surrounds such problems as the oil depletion allowance, investment credits, and tariff levels.

Record. In the last two years, the largest amount of money was reported as spent by Common Cause, an organization promoting the public welfare, which expressed great interest in the disclosure of money spent in campaigning for political offices. More will be written about this later.

Other interest groups spending more than $100 thousand in 1971 were: Veterans of World War I (208,946); American Postal Workers Union (257,093); AFL-CIO (205,101); American Farm Bureau (165,063); U. S. Savings and Loan League (158,727); National Association of Letter Carriers (135,334); National Committee for an American SST (131,080); Disabled American Veterans (129,881); National Association of Home Builders of the U. S. (125,779); American Trucking Association (115,287); American Medical Association (114,800); National Association of Postal Supervisors (102,795).

The First Amendment to the Constitution assures citizens of the right to petition government officials. Organized interest groups are entitled to bring their views and desires to Congress for considered action. The Federal Regulation of Lobbying Act of 1946 is an attempt to keep such petitioning in the open, by requiring the registration of lobbyists and the disclosure of money spent in lobbying activities. Even so there have been times when lobbyists have exceeded proper standards of conduct. President Eisenhower once vetoed a natural gas bill because he believed that the lobbyists for the bill (which he supported) exceeded standards of propriety. President Eisenhower felt that the American people might begin to doubt governmental honesty if the bill were to become law.

Even though attempts to influence legislation through lobbying may sometimes involve improper activities, we should be aware, however, that some groups do attempt to influence legislation that is for the common good. Common Cause, an organization that has only existed for a few years, has been exerting great effort in its attempts to get people running for public office to disclose the source of their campaign funds. Other groups have concerned themselves with problems of pollution and efforts to influence Congress to pass laws that would reduce the amount of pollution of our air and water.

Lobbying is not the only way attempts are made to influence public officials. There have been times when businesses have attempted to influence appointed government officials. Many governmental commissions make decisions that affect companies in certain industries. Consider the Food and Drug Administration, Interstate

Commerce Commission, Federal Trade Commission. They may rule on whether a certain drug can be sold in the market, on what rate may be charged for moving household goods from state to state, or whether a business is using deceptive advertising, and so on. Occasionally, businesses may be sued by a government agency. In 1972, the International Telephone and Telegraph Corporation (ITT) was involved in defending itself against some antitrust lawsuits, initiated by the Justice Department.

Kleindienst and ITT

On June 8, 1972, the U. S. Senate approved President Nixon's nomination of Richard D. Kleindienst as Attorney General, head of the Justice Department. Before its approval, the Senate Judiciary Committee held hearings twice on his qualifications. The second of the hearings was held because of an expose news story that raised an important question.

Late in February the Committee had voted (13-0) to report the nomination favorably to the full Senate. Before a vote was taken a story appeared in a newspaper column by Mr. Jack Anderson. Mr. Anderson claimed that Richard Kleindienst had held about a half-dozen secret meetings on the ITT antitrust case with a director of the company before the settlement was reached. Mr. Kleindienst requested new hearings in order to testify to the Committee about this charge. Accordingly, the Senate Judiciary Committee decided to withdraw its previous recommendations to the Senate and conduct new hearings.

At the hearings there was conflicting testimony about a memorandum allegedly written by a lobbyist, Mrs. Dita Davis Beard. The memorandum suggested that there was a link between the settlement of the antitrust suits against ITT and a contribution by the ITT-Sheraton Corporation to the Republican National Convention to help underwrite the expenses for the 1972 convention to be held in San Diego. (The convention site was subsequently changed to Miami Beach). Any settlement of those cases in return for a political contribution would have been grossly improper and a violation of the law. If Mr. Kleindienst were found to be a party to such action, it would have undoubtedly disqualified him for the post of Attorney General.

The majority report of the hearings stated that

"The Committee concludes that Mr. Kleindienst acted properly in the

conduct of his office in the matter or the settlement of these cases."

Senator Philip A. Hart, Democrat, of Michigan filed an individual report. Among his comments the following statement about lobbying appears:

> "As for the inevitable atmosphere of pressure created by ITT's more general lobbying efforts, one cannot pretend that it was absent from the settlement milieu. Regrettably, such pressure has haunted the Antitrust Division under every Administration. The Division does not operate in a vacuum. The perennial ties between Washington and big business constantly threatens vigorous antitrust enforcement."

Although Mr. Kleindienst was cleared of any wrong doing and approved as qualified to be Attorney General, the larger issue of the relationship between big business and government remains. It is a fact that there were government antitrust suits against ITT, and it can be assumed that the company would desire to be acquitted of any charges of restraint of trade. It may have been nothing more than a coincidence but there was also evidence that ITT-Sheraton planned to give a contribution of several hundred thousand dollars to the Republican National Convention. The fact that a lobbyist was connected with this raises questions about what kind of influence was being sought.

When money is contributed to political causes by individuals and businesses, the campaigners are somehow indebted to the donors. Let's examine some facts about the spending that takes place for election campaigning.

Financing Elections

The Citizens Research Foundations has made estimates of the amount of money spent during all election campaigns in the Presidential election years since 1952. The estimates are:

1972 - $400 million
1968 - $300 "
1964 - $200 "
1960 - $175 "
1956 - $155 "
1952 - $140 "

It is clear that very large sums of money are being spent to win elections and that these sums have increased significantly in the past twenty years.[1] In a 1950 report, the House Select Committee on Lobbying wrote that

> "This committee is concerned that most lobby groups of any consequence are to some extent involved in influencing elections. Today's legislative stakes are too high for such groups to abstain from working for the election of candidates most likely to favor their demands."

If we examine the receipts and expenditures for campaigning of the two Presidential contenders for 1972, we can get an idea of the stakes involved in the office of President of the United States. On October 27, 1972, President Nixon reported receipts of $24 million and expenditures up to that date of $31.6 million. Senator McGovern reported receipts and expenditures of $17 million each.

Under a new law that became effective April 7, 1972, contributors who gave more than $100 to a campaign had to be identified by name and address. Between January 1, 1971 and March 9, 1972, 283 donors were listed as contributing a total of $5 million to the Nixon campaign. Among the large contributors were W. Clement Stone ($1 million), Richard Mellon Scaife ($800 thousand), Arthur Watson ($300 thousand), John Mulcahy ($255 thousand), Kent Smith and wife ($244 thousand), Trust for Agricultural Political Education ($187,500), Raymond R. Guest ($170 thousand), Jules Stein ($117 thousand) and five others who each gave one hundred thousand dollars.

Some contributions are classified by particular industries; these are given to certain candidates for House or Senate seats, as well as the Presidency. A report on some of these contributions was issued in September, 1972. Of a reported $501,235 contributed, more than 300 thousand dollars was spent in the support of certain candidates for seats in the House of Representatives. Among the large contributors to House and Senate elections were medical or health, industry, banking, and labor. It is presumed that campaign contributions would be made to those seeking office who were sympathetic to the views of the particular donor.

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[1] This money, of course, is not from tax revenue, but donated by businesses, organizations, and individuals. It has been suggested that a reduction in campaign expenditures as well as equalization among candidates can be effected by providing a specific amount of public money for candidates and prohibiting private contributions. This, it is claimed, would also reduce the chances of favoritism toward large campaign donors. The suggestion has not yet become reality.

If you would like to get additional information about campaign spending in the 1972 national elections, consult issues of the Congressional Quarterly, where such information is regularly published.

Most financial information that is now published is due to a new law, entitled the Federal Election Campaign Act, which became effective April 7, 1972. Its passage was vigorously supported by the lobbyist organization Common Cause, discussed earlier in this chapter. It was designed to accomplish two major purposes:

1. Require reporting and public disclosure of campaign contributions and expenditures by candidates for all federal elective offices, and by all political committees supporting the candidates.
2. Fix a limit on the amount of money candidates or parties may spend for political advertising on television, radio, newspapers, magazines, billboards and certain specified telephone equipment.

The act does not limit the amount that a political party or candidate may raise or spend. However, there is a ceiling on what may be spent in the communications media. It is ten cents for each person of voting age in the nation, State or congressional district, of which only six cents may be spent for broadcasting.

What can be concluded from the information presented in this chapter? Whether at the local level or Washington, citizens can have influence on political decisions. But to be effective in accomplishing one's objectives, it is probably a good idea to organize. Many groups--such as industry, agriculture, and labor, have organized and spent large sums of money lobbying in Washington and supporting candidates for public office. These groups attempt to influence legislation favorable to their own interests or governmental decisions that will be profitable to them, or at least not harmful. The political-economic activities of groups supporting candidates and their own self-interest must be disclosed so that the public-at-large knows about them. If citizens have the information, they are better able to make intelligent decisions in voting for candidates who support issues that they (the citizens) support. Some of our new laws are designed to better enable the citizen to make intelligent decisions.

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THE LAVINIA AND CHARLES P. SCHWARTZ CITIZENSHIP PROJECT

TEACHERS GUIDE

BUSINESS AND THE AMERICAN POLITICAL PROCESS

by

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BUSINESS AND THE AMERICAN POLITICAL PROCESS

Business and the American Political Process is a unit that is concerned with some of the fundamental relationships between private and public finance. The material consists of sections which discuss the concepts, issues, and problems behind business, taxation, and services. It explores some of the differences between the private and public sectors, and illustrates some of the political problems which complicate what otherwise appear to be economic questions. The unit is intended to provide students with a better understanding and working knowledge of business, political science, and economics.

The unit introduces some important and difficult concepts in the theory of taxation. A determined effort has been made to reduce jargon to a minimum. We are not concerned with having students learn the economist's language; rather, we want them to use the economist's knowledge and skills to understand more fully the society in which they live. In some ways this unit confronts the traditional neutrality which is the hallmark of pure economic theory. It may also be noted that a study of taxation is incomplete without an accompanying exploration of fiscal policy -- the relationship between planned federal expenditures and revenue. The author determined that important concepts in fiscal policy required separate treatment in themselves and arbitrarily excluded them from this unit. The interested teacher may wish to pursue how fiscal policy is used to achieve a few of society's goals. Such goals are discussed briefly in Chapter One of the student book.

Business and the American Political Process is not meant to be a complete or comprehensive treatment of all aspects of public and private finance. At teacher discretion, the unit may be expanded to include questions and problems not treated here. The unit is also not meant to be prescriptive, but rather a springboard for studying civics and economics as they are manifested within our political and social structure. The amount of time devoted to the study of business and public financial policy and related questions will depend upon the scope and magnitude of the investigations undertaken. The Teacher's Guide is intended to provide

some suggestions and opportunities for inquiry, in-depth discussion, additional research, and class discussion of the many concepts and questions found within the unit material.

The unit is divided into the following Chapters:

Introduction:	To the Student
Chapter 1:	The Size and Scope of Government Services
Chapter 2:	The Effect of Government Services on a Market Economy
Chapter 3:	Financing Government
Chapter 4:	A Case Study--Passing An Income Tax in Illinois
Chapter 5:	From City Hall To Washington--Political and Economic Pressure

As one on-going activity throughout the unit, the teacher can request that students collect articles and cartoons from current periodicals which relate to questions concerning business, public finance, and taxation. There is much debate over proposed government support of industries which are in financial trouble--e.g.,--railroads and companies which are working on defense contracts. "Letters to the Editor" are also a fertile source of ideas and debate, since almost everyone has his opinion about how tax dollars should (or should not) be spent. At the conclusion of study, this material could be reviewed both as an index of public opinion and for comprehension and completeness as it relates to the issues studied.

ADDITIONAL ON-GOING ACTIVITIES

The following suggestions are applicable to all chapters and ideas contained in the unit, and should serve to increase depth and breadth of understanding as students investigate the concepts and issues of the unit:

1. Some words are defined in the text as they occur. Students can be requested to keep a supplementary word list, with appropriate definitions, as they work through the material. Under the heading "Concepts and Ideas for Discussion and Reflection" in the Teacher's Guide, the teacher will find concepts and terms which in general require more than simple definition, and which are subject to considerable debate and discussion. The generalizations given are in large measure only representative of those which might be made, and in several cases require further inquiry and discussion before their validity can be established.

2. Graphs and charts depict visually what is sometimes difficult to convey through the written word. Selected students can be asked to prepare graphs comparing levels of expenditure or collection relative to different times or levels of government. Such materials make excellent bulletin board displays and are easily available to all class members.

3. The concept of the allocation of resources is fundamental to the relationship between governmental programs and public finance. Periodically, students might be asked to investigate differences among the financial priorities of federal, state, and local governments; between particular presidential administrations (or governors) at different times; or perhaps federal government spending (amounts and types) over the last 150 years. The latter topic should develop some interesting insights in the areas of social welfare and the extension of government services.

4. At different periods of our history certain industries have become prominent. Among these would be the railroads, steel, and oil. Students might be asked to investigate the relationships between one of these industries and government, detailing not only the amounts and types of influence they wielded at the time, but examining any restrictive or beneficial legislation passed in response to their activities.

SUGGESTED CHAPTER ACTIVITIES

INTRODUCTION

--Discussion Questions:

1. Suppose everyone who worked for the government went on strike at the same time? Who would you notice first? What changes in your life might have to be made?

2. Some people say that since poor people contribute least to the government, they should get the least help from the government. Does that make sense to you? Why?

3. To what extent do you believe government is responsible for the welfare of its citizens? Is too much being done for us now? Too little? Why?

--Concepts and Ideas for Discussion and Reflection:

economics	federal government
government services	revenue

--Optional Activity:

Have the class make a list of all the government services they can think of at each governmental level--city, state, and federal.

Chapter 1: THE SIZE AND SCOPE OF GOVERNMENT SERVICES

--Discussion Questions:

1. What different kinds of services are provided by federal, state, and local governments? How do you account for the similarities and differences?

2. Why can't the benefits of essential public services be withheld from particular persons or groups of persons?

3. In which areas of society do we tend to turn responsibility over to government? Can you think of some areas of social life in which we apparently do not want government to assume responsibility?

--Concepts and Ideas for Discussion and Reflection:

government regulation	per capita tax
public service	allocation of resources
economic scarcity	private enterprise
market economy	common good

--Generalizations to be Formulated and Debated:

1. The government at the present time spends too much time and money doing things for people that they should do for themselves.

2. People are more unhappy about the <u>way</u> tax dollars are spent than they are about how <u>much</u> tax money is collected.

--Optional Activity:

Have the class take a poll in the community, asking people what they think about government activities in urban renewal, foreign aid, welfare programs, and space programs. Results may be compared with the beliefs expressed during discussion of Generalization #2, above.

Chapter 2: THE EFFECT OF GOVERNMENT SERVICES ON A MARKET ECONOMY

--Discussion Questions:

1. Define "reallocation of resources" and "redistribution of income." From the viewpoint of the taxpayer does it make much difference whether the government uses his tax money for transfer payments or for purchasing goods and services for the public? If not, why is increased spending for welfare (transfer) opposed by some citizens?

2. Review the differences between consumers' sovereignty and citizen's sovereignty. Which do you now prefer? Why?

3. If you were in a position to determine how the federal budget would be spent, how would you decide to spent it? (Remember that you must stay within the budget amount and that each category of the budget -- e.g., defense, social security, highways, etc., is "necessary").

--Concepts and Ideas for Discussion and Reflection:

private sector	public assistance
public sector	public project
sovereignty	cost analysis

--Generalization to be Formulated and Debated:

The achievement of a better and fairer balance of income is of more importance in the long run than is an increase in total economic output (gross national income).

--Optional Activities:

1. Have the class obtain the budget of any governmental unit (city, county, state) and analyze it. (City, school district, and county budgets are

often published in newspapers). Find out what percentages of the total budget are spent for which particular purposes. What does this breakdown tell you about the priorities for that governmental unit?

2. Use the following role play situation as an illustration of the various philosophies and arguments which can enter into any public service enterprise. Each person assigned to a role should think about the position he will undertake to defend. Allow sutdents to make up reasonable facts as they go if necessary. Each should try to convince the others of the validity of his position. Some kind of program should be adopted at the conclusion.

The moderator begins by stating the problem and the purpose of the meeting. He then opens the meeting to general statements and discussion.

Background Information

In a small midwestern town which we will call Boswell, the elementary and secondary schools were forced to close for two months last year because of a lack of funds.

This role play will take the form of a school board meeting which was called by its chairman to discuss ways that the education system could be adequately financed.

Roles

1. Schoolboard Chairman. This person is responsible for doing his best to get the schools opened and running again. He is interested in the schools and is willing to try almost anything to get things going again. He serves as the chairman or moderator of the meeting.

2. Secretary. This person's job is to keep a record of what happens at the meeting. Record should be kept of the kinds of arguments raised and any decisions reached.

3. Schoolboard Member 1. This person believes that there are too many frills in modern education. He believes that the 3 R's are all that need to be taught. He favors reopening the schools by cutting out all unnecessary items in the school budget so that existing tax rates will cover school expenses. As an example, he thinks that gyms, art and music programs, laboratories and the like, are all wastes that should be eliminated.

4. Schoolboard Member 2. This person is a liberal who believes that much more should be spent on education. He favors raising the tax

rate as much as necessary to secure an excellent school system.

5. Audience Role 1 -- Angry homeowner. This person bought a house in Boswell 10 years ago when real estate taxes were $200 per year. Last year his taxes had reached $600 and this made him angry. His attitude was that the schools needed to be supported but that this support should come from someplace other than the real estate tax. If necessary, he thought that tuition charges for each pupil to be paid by parents would be a good way to handle the problem.

6. Audience Role 2 -- PTA member-School supporter. This person is vitally active and enthusiastically supports a raise in the school tax to get the schools going again. She feels that her children have been missing a lot because the schools are closed.

7. Guest Speaker -- Principal of City Highschool. This person is responsible for the day-to-day operation of the city high. He is worried about hiring teachers, ordering books, maintenance and everything else involved in running a school. He speaks about the difficulty of getting the schools running again unless sufficient funds are forthcoming.

8. Audience Role 3 -- Local Businessman. Although his taxes are high, he is more worried about whether the school system is training young people to take their place in the working world. He would like to see the system, if it needs more financial support, use this money to expand its programs in vocational and business education.

9. General Audience -- (everyone not assigned another role). Speak to points that the role players make from whatever point of view you like. Make up your own roles as you go along.

Chapter 3: FINANCING GOVERNMENT

--Discussion Questions:

1. Why does the middle class pay more taxes than either the upper or the lower class? Is this "fair"?

2. How high would taxes have to be on liquor or cigarettes before most people would stop buying them? If this situation came about, what else might develop? (Black market, bootlegging, substitution, etc.).

3. How does the incidence of a tax get shifted? When can (cannot) the incidence be shifted?

4. What are some of the ethical and moral differences among the three tax principles?

--Concepts and Ideas for Discussion and Reflection:

economic growth	corporate income
social class	investment
luxury tax	real property

--Generalizations to be Formulated and Debated:

1. Under our present tax structure only the middle class makes any real contribution to maintaining our government.

2. Business corporations could stand to take on a far larger share of the tax burden than they presently do.

3. If taxes were levied more fairly and at lower rates, people would be more honest about paying them.

--Optional Activities:

1. Have students make a list of all of the kinds of taxes and fees collected by the local government. Have them try to determine who finally pays these taxes. Ask for an evaluation of fairness.

2. Ask students to have parents and neighbors respond to questions about local taxes. What generalizations can be made from this data?

3. Communist countries also must provide goods and services for their citizens. Ask selected students to research the differences and similarities in the way public services are paid for between our country and communist nations.

Chapter 4: CASE STUDY--PASSING AN INCOME TAX IN ILLINOIS

--Discussion Questions:

1. What factors can contribute to the onset of a financial crisis in government? Why aren't these anticipated and dealt with before a crisis situation is at hand?

2. What major arguments were advanced by the political parties and pressure groups in favor of or against the proposed tax bill? For and against taxing corporations rather than individuals?

3. Instead of enacting a new and controversial tax, why not just cut expenditure? (Refer to Chapter 2, "Discussion Question" #3).

--Concepts and Ideas for Discussion and Reflection:

political compromise — tax base

austerity program — fiscal crisis

--Generalizations to be Formulated and Debated:

1. The financial matters of government are often settled more for political reasons than for economic ones.

2. No government official or political party will accept responsibility for increasing taxes or enacting a new tax program.

--Optional Activities:

1. Select a student to prepare a time line detailing the major events leading up to the passage of the Illinois income tax bill.

2. Divide the class into groups corresponding to the parties and interest groups involved in the Illinois income tax passage. Ask each to prepare a complete statement about the tax as it sees it. Class time could be devoted to debating these various positions and viewpoints.

Chapter 5: FROM CITY HALL TO WASHINGTON-- POLITICAL AND ECONOMIC PRESSURE

--Discussion Questions:

1. The author says that the state gives the right to govern. By what right does the state do this? If there were no government, what steps would be necessary to establish one?

2. What forms of local government are there? What are some of the advantages and disadvantages of each form? Which form do you think is most responsive to public pressure?

3. Review some of the difficulties involved in city planning and budget-making. What kinds of expertise are involved in doing this work?

4. What reasons might account for the Veterans of World War I to spend so much money in lobbying activities? Under what circumstances might a group <u>not</u> wish to make public its lobbying activities and how much it

is spending? For what reasons might the amounts spent change from year to year?

--Concepts and Ideas for Discussion and Reflection:

pressure group	big business
bureaucracy	antitrust legislation
organized labor	political self-interest
civil service	

--Generalizations to be Formulated and Debated:

1. The activities of lobbies and pressure groups are essentially selfish and are conducted with little regard for the public interest.

2. The amounts of money spent to elect public officials far exceeds the quality and worth of the office-holders we get.

3. Good government is ensured when citizens are knowledgeable about the issues and problems which must be solved.

--Optional Activities:

1. Ask students to check their local papers for the important issues facing the community. What groups appear to be exerting pressure on government to effect a solution? What, if any, financial ramifications are involved?

2. Ask selected students to investigate "influence peddling" at the federal level. Some examples:

Harding:	Teapot Dome
Truman:	Harry Vaughn
Eisenhower:	Sherman Adams
Johnson:	Bobby Baker